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**REMARKS**

Applicant and counsel thank the Examiner for the courtesy of inviting the interview and the productive discussions concerning this matter. Detailed remarks about this clarifying amendment follow below. As an initial matter, however, applicant provides the following summary of the other topics discussed in the interview or disclosed in this matter:

- The Board of Patent Appeals and Interferences (BOPAI) decision in this case.
- The patent enforcement action *MercExchange LLC v. eBay et al.*, 2:01cv736 (E.D.Va., Norfolk) (the "Enforcement Action").
- The Markman order issued in the Enforcement Action (the "Markman Order").
- The Court of Appeals for the Federal Circuit (CAFC) decision in the Enforcement Action of March, 16th 2005.
- The Board of Patent Appeals and Interference decision in co-pending related case serial no. 09/166,779.
- The Board of Patent Appeals and Interferences decision in the April 1995 parent case serial no. 08/427,820.
- The Reexamination of U.S. Patent No. 5,845,265 initiated by eBay being handled in the Group and specifically by Examiner Karmis, tel. no. (571) 272-6744.
- The Reexamination of U.S. Patent No. 6,202,051 initiated by eBay being handled by the Group and specifically by Examiner Garg, tel no. (571) 272-6756.
- The Reexamination of U.S. Patent No. 6,085,176 initiated by eBay being handled by the Group and specifically by Examiner Karmis.
- The examination of co-pending related case serial no. 09/557,617 being handled by the Group and specifically Examiner Kyle tel no. (571) 272-6746.
- The allegations of inequitable conduct made by eBay et al. in the Enforcement Action in the prosecution of U.S. Patent No. 6,202,051, by Mr. Woolston and Mr. Phillips (and unnamed others ostensibly the attorneys of Burns, Doane, Swecker and Mathis whom were attorneys of record at the time) concerning the rejection of the claims in this case by the prior examiner assigned to this case and the purported duty and purported breach of that duty by failure to disclose the office

all reviewed  
for 2/1/06

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action and the reasoning of the office action in this case<sup>1</sup> to the USPTO after the second notice of allowance and the issue fee had been paid in the pending case serial no. 09/253,021, that issued as the U.S. Patent No. 6,202,051.

- o The USPTO's re-captioned 'protest' of this case filed by eBay.
- o And co-pending related patent application serial nos.:
  - 09/166,779
  - 09/670,562
  - 09/557,617
  - 09/779,551
  - 10/740,151
  - 10/824,322
  - 90/006,984
  - 90/006,957
  - 90/006,956

As agreed, the Examiner is invited to request any additional information that the Examiner would find helpful in the examination of this case.

As discussed, all claims now pending recite that remote entities electronically present over a data network a description of an item to an auction node wherein the auction node conducts an automated auction process to conclusion without further human intervention by the auction node operator. That feature, in the context of the additional structure and technology elements of the pending claims distinguishes the claims over the prior art and consideration and allowance is requested for that reason. In addition to the foregoing limitation of all claims, however, three addition features are claimed in conjunction with and in the context of the above.

First, independent claim 20 now requires the additional limitation of provisioning providing the remote application program with information about the item category structure maintained by the auction node to make that information available for the user such that data records for goods can be created *asynchronously*.

<sup>1</sup> As the Examiner is aware, the BOPAI subsequently overturned that rejection and the reasoning for that rejection in this case.

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As used in the specification and the claims, *asynchronously* refers to a state wherein the remote posting terminal provides the capability for the user to create a data record for an item for subsequent posting to the auction node while the remote posting terminal may be isolated from communication with the auction node. In other words, the remote posting terminal does not need to be in active synchronized communication with auction node to create the data record for the item that will invoke the auction process for that item at the auction node. Instead, the posting terminal operator can create the data record for the item and then post that data record to initiate the auction as an auction node at some other time, i.e., *asynchronously*.

Second, each of independent claims 33, 40 and 49 recites an integrated transaction processor and/or payment processing feature so that the auction node can intermediate payment on behalf of the remote entity electronically presenting items for auction at the auction node.

Third, independent claim 219 recites that the auction apparatus includes a data structure that establishes and maintains bidder logon sessions.

All of the pending claims now require that remote entities are electronically presenting over a data network a description of an item to an auction node wherein the auction node is then conducting an automated auction process to conclusion without further human intervention by the auction node operator. That feature, in the context of the additional structure and technology elements of the pending claims, distinguishes the claims over the prior art and consideration and allowance is requested for that reason. Importantly, an auction process initiated by a remote seller at an auction node - no art of record discloses this feature - is one of the important reasons why the claims represent a significant advancement over the art. Indeed, the scope and content of the alleged prior art, can be broken down into two classes: (1) those in which the seller is physically participating in the bid acceptance process, or (2) those in which, at best, the operator of the computer system has physical possession of the item or is physically accepting the bids.<sup>2</sup> In neither case is there a reference or teaching that discloses the claimed features.

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<sup>2</sup> By its express terms, Fujisaki relates to an "auction information transmission processing system that enables individuals dispersed over a wide area to participate in an auction without gathering at the auction site." Fujisaki at col. 1, lines 58-61. More particularly, Fujisaki makes clear that his information transmission system is directed to allowing physically dispersed *bidders* to remotely participate in an auction. As such, Fujisaki does not contemplate, nor make any provision for, automating the input of information from the *seller* of the auction item.

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As an initial matter, applicant submits that the Examiner should agree that all claims require that the auction process(es) at the auction node are computer-implemented, i.e., the auction process is autonomously executed by a computer program to completion of an ascending bid auction process without further human intervention in the auctioning process. That is not to say, of course, that human participants are not bidding at the auction over the internet, but only that the *receipt, processing, acceptance, and posting of those bids* is being conducted by an automated computer task. To remove any ambiguity that this is what the claims require, some of the pending claims recite this limitation as 'automatically' or 'autonomously' or as a computer-implemented step. In each instance, however, applicant means the above definition, namely, that the auction process is executed by a computer program to completion without further human intervention in the processing of the bids at the host auction computer. If this goal has not been achieved by our interview discussion and this clarifying amendment, then the examiner is invited to telephonically contact counsel to further clarify the claim language by further amendment.<sup>3</sup>

Providing remote entities with an auction node that then conducts an auction process to completion is not a trivial distinction over the art of record nor is it the mere automation of a physical step for at least the three reasons: First, having a remote entity describe the item and then remotely initiate an auction process at a networked auction node gives the system its ability to economically scale and self-organize. Second, it makes the remote entity responsible for his or her own online reputation and performance. Third, it achieves an unexpected result in the leveraging the claimed invention's baseline network effect that significantly enhances the value of the network for the users.

A remote entity providing the description of an item in a data record and then transmitting that data record to an auction node for an auction process gives the claimed invention, among other advantages, its ability to economically scale and self-organize because it

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<sup>3</sup> See the Markman Order of the Enforcement Action and/or the CAFC opinion of March 16, 2005 discussing when a step requires computer implementation in the claims of related U.S. Patent No. 6,202,051. By these remarks, as discussed, and by this amendment applicant seeks to remove all doubt that the pending claims in this matter require autonomous computer implementation of the bid process at the host auction computer but not the actual bidding which, of course, is done at least in part by human participants.

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shifts the burden from the system operator to the remote sellers to post items for auction, accurately describe those items for auction, and be bound to the results of the auction. And importantly, as determined by the Board of Patent Appeals and Interferences (BPAI) in this case, the remote entity as claimed is responsible for scheduling the auction process, by providing the command to start the auction immediately, e.g., by posting the item, or providing the command to start the auction at the user specified time and/or duration. As described, claimed and understood by the BPAI, it is the remote entity, not the system operator, that organizes items for auction by selecting from a predetermined categorization of items. And it is the remote entity that is selecting the image, description or condition depiction for the good for auction, thus overcoming the short fall of the alleged prior art systems, namely the physical constraints of a system operator posting items for sale or physically auctioning the items. Therefore, this self-organizing feature, and the implementing technologies as claimed, provide the system with a baseline network effect in its operations.<sup>4</sup>

A further advantage of the claimed invention is that, by shifting the burden to the remote entity to initiate an auction process at a remote networked auction node, the seller (or other poster) effectively puts his or her reputation on the line in fulfilling the specified parameters of the auction. Indeed, as taught in the application this feature "allows collectable goods to be concentrated for a single electronic auction or virtual collectable market on a market maker consignment node without incurring the costs of shipping the goods to a central location to bring the good to the market maker consignment node." See, Col. 13, l. 20 - 24.<sup>5</sup> And this feature allows sellers to create "business goodwill" in the prudent use of the system. Col. 4, l. 7-11.

Even though each selling entity using the claimed system is responsible for building his or her own business goodwill into their own respective online identities, the auction node or electronic marketplace itself has its own reputation to protect if the overall network effect to achieve sustained commercial success. An important ramification, as applicant recognized, of the unique power of the claimed remote entity/marketplace auction paradigm is that a few bad

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<sup>4</sup> The "network effect" posits that the value of a network to its users (here the buyers and the sellers) is equal to the square of the number of users.

<sup>5</sup> For convenience, column and line numbers from U.S. Patent No. 6,202,051 will be used in this case.

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actors could severely damage the reputation and business goodwill of not only themselves but the entire electronic marketplace. Indeed, as discussed, the same empowering tools that enable a single selling entity to create and manage many more auction instances than they could otherwise without the claimed invention, this novel and non-obvious feature could equally empower a bad actor to abuse the electronic marketplace. Of course, applicant's trusted network and trusted intermediary features as provided in the written description make no claim for a cure of the human condition. Indeed, no amount of trust or technology in user verification features, although amply disclosed, could ever completely eliminate a determined user's ability to abuse the electronic marketplace. In recognizing this important issue, however, applicant disclosed a final extra measure - a central authority with the ability to police the system. Indeed, as now recited in several of the pending claims a central authority may police the reputation of the auction marketplace as a whole by enforcing certain performance and fraud constraints on the remote entities. Claims 17, 18 and 19 now provide representative examples of this feature:

17. The method of claim 14 wherein a central operating authority of the auction node detects fraud and revokes authorization to the first entity to electronically present items for auction at the auction node.

18. The method of claim 11 wherein the information received from the first entity includes subjective descriptive information concerning the item for auction within the information transmitted by the first entity and received by the auction node, and the auction node presents the subjective descriptive information concerning the item for auction to the potential buyers without further review by the auction node.

19. The method of claim 18 wherein a central operating authority of the auction node imposes a quality and performance structure on the first entity and if the first entity fails to meet the imposed quality and performance structure the central operating authority of the auction node may revoke the license to use the auction node by the first entity.

The specification as a whole supports and discloses this feature, as discussed in representative passages from the specification including the following:

Moreover, the art does not show a way for small to medium size business to use a low cost posting terminal in conjunction with a market maker computer to

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collectively create a virtual market for used and collectible goods. Col. 1, l. 33 - 37.

It should be noted that the consignment node database record has data fields for the consignment node user to add value to his consignment node postings with subjective information such as condition of the card, special features such as autographed by Babe Ruth, and the like. Thus, the consignment node user may build business goodwill into his particular consignment node operation by establishing his own particular subjectivity and quality standards in item postings. Col. 4, l. 3 - 11.

It should be noted by the consignment node user may again "add value" to his consignment node by entering subjective criteria in the database entry for authenticity, condition, special attributes and the like. The participant or local resident may now electronically present his Frank Robinson card to any consignment node, consignment node auction or consignment node market maker in the consignment node network. Col. 4, l. 37 - 44.

It is within the scope of the invention, however, to take electronic postings from other consignment node users or individuals over the network, as discussed below. Each consignment node user may be a franchisee of a central franchiser and the franchiser may police the network to give quality control, detect fraud and revoke the franchises or licenses of poor quality consignment node users. Thus, the consignment node is a "trusted" network for consignment node users providing value to the network by imposing a quality and performance structure on the consignment nodes. The same franchise enforcement scheme is also available to the low cost posting terminal embodiment to the present invention. Col. 4, l. 52 - 63.

This allows collectable goods to be concentrated for a single electronic auction or virtual collectable market on a market maker consignment node without incurring the costs of shipping the goods to a central location to bring the good to the market maker consignment node. It is understood that the trusted posting of goods on a market maker node is a value added feature a small town consignment node user can provide to his immediate collector community. It is understood that the master central node may also serve as a legal consignment node franchising authority to provide enforcement of integrity, security and quality control for the consignment node network. Col 13, l. 20 - 31.

This frame work of trusted franchisee, high confidence and accurate market database, and the legal finality of transaction, where the legal transaction/"cash" clearing function is performed by the market maker computer, e.g., the participant credit card number or other payment means is only revealed and brokered by the market maker computer 800, is a massive step toward building confidence and

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trust between a small collectable merchant and participant with electronic transactions. These procedures may be used to give assurances and create trust to participants, who for example would like to buy an art deco collectable from a collectable shop in Russia but is very reluctant to send credit card information to an unknown Russian collectable shop for the obvious concerns of credit card fraud and/or fraud in the bona fides of the collectable good itself. Here, however, the franchising authority polices the franchisees to revoke the franchise if a fraud and/or misrepresentations of the bona fides of a collectable good is taking place by the posting terminal user and the assurance that credit card numbers are only revealed to the market maker computer 800 and not accessible to the, in this example, the Russian collectable store. This allows the Russian collectable store to receive the business good will of the electronic collectable market place of the present invention to establish immediate trust with prospective electronic customers. Col. 18, l. 47 - Col. 19, l. 5.

Therefore, as now recited in claims 17, 18, 19, 220, 221 and 223, a policing function is now explicitly recited. Therefore, these claims recite a novel and non-obvious feature of the claimed invention in a context of a specific technology of implementation. Independent consideration and allowance of these claims is requested.

The features of an autonomous auction instance initiated by a remote seller, as taught by applicant, leads to an unexpected result - primarily the applicability of an unexpected enhancement to the conventional network effect. The network effect has been characterized as a function of a network value to its users being equal to the number of network users squared. The unexpected result, as taught by applicant is that the network effect is multiplied and enhanced by the seller's ability to initiate multiple auction instances available through the claimed invention. That is, the value of the network in applicant's claimed invention is the network effect of the number of users squared times the power of the ability of the self-organizing auction processes to enhance a seller's effectiveness in managing far more auctions than physically possible by the prior art. Therefore, it is not enough for the examiner to surmise that the autonomous ascending bid auction instance, or the claimed computer implemented methods of the auction process, initiated by a remote user is the mere automation of the physical auctioning of the prior art - the seller or the system operator physically processing bids - because that is a paradigm that specifically curtails the ability of a seller to physically process more than a handful of auctions and/or specifically limits the auction to a narrowly defined and transient event, thereby teaching



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away from Applicant's invention of specifically empowering remote sellers to enable and multiply the network effect.

On a final note, the examiner is well aware the Shavit and Grant references are non-analogous art under the holding of the Board of Patent Appeals and Interferences in this case. In addition, the BPAI determined that the scheduling limitations of the claimed invention comport with the requirements of 35 U.S.C. § 112. This serving as a reminder that the examining corps is not free simply to assert that express claim elements are somehow met based on an assertion that "it would have been obvious" or upon bare assertions of "Official Notice." Rather, the Federal Circuit has consistently reminded patent examiners that obviousness rejections based on assertions lacking evidentiary support in the record cannot stand. In In re Lee, 277 F.3d 1338 (Fed. Cir. 2002), the Federal Circuit vacated a Patent Office Board affirmance of an obviousness rejection because, rather than relying on objective evidence, the Patent Office based its obviousness rejection on conclusory statements having no evidentiary support in the record. Id. at 1342-43. In doing so, the Federal Circuit made it abundantly clear that "subjective belief and unknown authority" and "[assertions of] common knowledge and common sense" are not "a substitute for evidence." Id. at 1343-44.

It is believed that all of the pending claims have been addressed. However, the absence of a reply to a specific rejection, issue or comment does not signify agreement with or concession of that rejection, issue or comment. In addition, because the arguments made above may not be exhaustive, there may be reasons for patentability of any or all pending claims (or other claims) that have not been expressed. Finally, nothing in this paper should be construed as an intent to concede any issue with regard to any claim, except as specifically stated in this paper, and the amendment of any claim does not necessarily signify concession of unpatentability of the claim prior to its amendment.

As this case has been pending for a very long time in the USPTO, prompt action is requested in this matter.

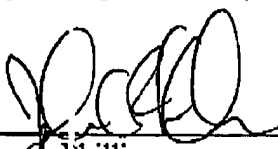
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Please apply any other charges or credits to deposit account 06-1050.

Respectfully submitted,

Date: 14 Dec 2005

  
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John C. Phillips  
Reg. No. 35,322

Fish & Richardson P.C.  
12390 El Camino Real  
San Diego, California 92130  
Telephone: (858) 678-5070  
Facsimile: (858) 678-5099

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